

**REPORT OF THE AUDIT OF THE
LAWRENCE COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

June 30, 2003



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LAWRENCE COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES

June 30, 2003

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2002 Taxes for the Lawrence County Sheriff as of June 30, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$596,830 for the districts for 2002 taxes, retaining commissions of \$24,585 to operate the Sheriff's office. The Sheriff distributed taxes of \$572,117 to the districts for 2002 taxes. Taxes of \$442 are due to the districts from the Sheriff and refunds of \$840 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff Should Distribute Tax Collections By The Tenth Of Each Month

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Phillip Carter, Lawrence County Judge/Executive

Honorable Garrett Roberts, Lawrence County Sheriff

Members of the Lawrence County Fiscal Court

Independent Auditor's Report

We have audited the Lawrence County Sheriff's Settlement - 2002 Taxes as of June 30, 2003. This tax settlement is the responsibility of the Lawrence County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Lawrence County Sheriff's taxes charged, credited, and paid as of June 30, 2003, in conformity with the modified cash basis of accounting.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Phillip Carter, Lawrence County Judge/Executive

Honorable Garrett Roberts, Lawrence County Sheriff

Members of the Lawrence County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Distribute Tax Collections By The Tenth Of Each Month

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

Audit fieldwork completed -
November 19, 2003

LAWRENCE COUNTY
GARRETT ROBERTS, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

June 30, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transfers-In From Prior Sheriff	\$ 100,022	\$ 89,995	\$ 291,259	\$ 95,195
Additional Oil and Gas Billings	1,950	1,615	5,646	1,815
Current Year Franchises	21,436	17,801	57,328	
Prior Year Franchises	5,930	4,830	16,755	
Penalties	5,962	5,382	17,396	5,844
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Gross Chargeable to Sheriff	\$ 135,300	\$ 119,623	\$ 388,384	\$ 102,854
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<u>Credits</u>				
Exonerations	\$ 1,419	\$ 1,289	\$ 4,141	\$ 1,322
Official Receipt Corrections	85	72	247	79
Delinquents:				
Real Estate	24,266	21,641	71,186	22,719
Tangible Personal Property	161	111	341	123
Uncollected Franchise	34	23	72	
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Total Credits	\$ 25,965	\$ 23,136	\$ 75,987	\$ 24,243
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Taxes Collected	\$ 109,335	\$ 96,487	\$ 312,397	\$ 78,611
Less: Commissions *	4,647	4,101	12,496	3,341
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Taxes Due	\$ 104,688	\$ 92,386	\$ 299,901	\$ 75,270
Taxes Paid	104,637	92,426	300,648	74,406
Refunds (Current and Prior Year)	14	12	41	459
	<hr/>	<hr/>	<hr/>	<hr/>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ 37	\$ (52)	\$ (788)	\$ 405
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The accompanying notes are an integral part of this financial statement.

LAWRENCE COUNTY
GARRETT ROBERTS, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES
June 30, 2003
(Continued)

* Commissions:

4.25% on	\$	284,433
4% on	\$	312,397

** Special Taxing Districts:

Library District	\$	41
Health District		(31)
Extension District		(17)
Watershed District		(79)
Fire and Rescue District		<u>34</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(52)</u></u>
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The accompanying notes are an integral part of this financial statement.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2003
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 5, 2003 through June 30, 2003.

Note 4. Interest Income

The Lawrence County Sheriff earned \$786 as interest income on 2002 taxes. The Sheriff should have distributed the appropriate amount to the school district as required by statute, and the remainder should have been used to operate the Sheriff's office. As of November 19, 2003, the Sheriff owes \$395 in interest to the school district and \$391 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Lawrence County Sheriff collected \$24,355 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Lawrence County Sheriff collected \$3,264 of advertising costs and \$4,688 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff should have distributed the advertising costs to the county as required by statute. The advertising fees were used to operate the Sheriff's office. As of November 19, 2003, the Sheriff owes \$3,264 in advertising costs to the county.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2002 taxes, the Sheriff had \$2,684 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

Note 8. Elimination Of The Prior Sheriff's Deficit

In former Sheriff Bobby Workman's 2002 Tax Settlement Audit Report, it was reported that former Sheriff Bobby Workman was short \$1,501. It was recommended that former Sheriff Bobby Workman deposit personal funds to eliminate the deficit. Based upon the audit of current Sheriff Garrett Roberts, it has been determined that the former Sheriff's shortage was due to errors in the transfers of tax bills from outgoing Sheriff Bobby Workman to incoming Sheriff Garrett Roberts. Neither the outgoing Sheriff Bobby Workman, nor the incoming Sheriff Garrett Roberts examined the actual bills transferred to ensure their accuracy. The current Sheriff will transfer \$1,501 to former Sheriff Bobby Workman's 2002 tax account to eliminate the deficit of the prior year audit.

COMMENT AND RECOMMENDATION

LAWRENCE COUNTY
GARRETT ROBERTS, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

June 30, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Distribute Tax Collections By The Tenth Of Each Month

The Sheriff did not report and distribute money collected during the preceding month by the tenth of each month as required by KRS 134.300. All regular property taxes, franchises and gas and oil property taxes collected were not reported and distributed in a timely manner. In addition, the Sheriff did not distribute money collected by the tenth of the following month. We recommend the Sheriff distribute all tax collections including regular property, franchises, oil and gas and unmined coal by the tenth of the following month.

Sheriff Garrett Robert's Response:

The old computer system was not working properly, now we have a new computer system that will remedy this.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Phillip Carter, Lawrence County Judge/Executive
The Honorable Garrett Roberts, Lawrence County Sheriff
Members of the Lawrence County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Lawrence County Sheriff's Settlement - 2002 Taxes as of June 30, 2003, and have issued our report thereon dated November 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lawrence County Sheriff's Settlement -2002 Taxes as of June 30, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Distribute Tax Collections By The Tenth Of Each Month

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lawrence County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

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Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 19, 2003

